

# Notice

Notice is hereby given that the 23rd Annual General Meeting of the company will be held on 29th September, 2012 at Y.B. Chavan Centre, General Jagannath Bhosle Marg, Opp. Mantralaya, Nariman Point, Mumbai-400021 at 10.00 a.m. to transact the following business:

## As ordinary business

1. To receive, consider and adopt the audited Profit & Loss Accounts for the year ended 31st March, 2012, the Balance Sheet as at that date together with the Report of the Board of Directors and the Auditors thereon.
2. To Declare Dividend on Equity Shares.
3. To appoint a Director in place of Shri P. Nijampurkar who retires by rotation and being eligible, has offered him self for re-appointment.
4. To appoint a Director in place of Shri Atul Desai who retires by rotation and being eligible, has offered him self for re-appointment.
5. To appoint auditors of the company to hold office till conclusion of the next Annual General Meeting and to fix their remuneration.

On behalf of the Board of Directors

Place: Mumbai

Date: 30th August, 2012

**R.L. Gupta**

Chairman

## NOTES

- 1 A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/ HERSELF/ITSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.THE INSTRUMENTS OF PROXY SHOULD, HOWEVER, BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
- 2 The Register of Members shall remain closed from 25th September, 2012 To 29th September, 2012 (both days inclusive).
- 3 The dividend, if declared, will be paid to those members whose name appears on the Register of Members of the Company as on 29th September, 2012 for members holding shares in physical mode. For members holding share in electronic form, the dividend will be paid as per the data as may be made available by the NSDL and/or CSDL as of the close of the business hours on 25th September, 2012 and the same forwarded to us by our RTA.
- 4 Pursuant to the provisions of Section 205A(5) and 205C of the Companies Act, 1956, the Company has transferred the unpaid or unclaimed dividend for a period of seven years from the date of transfer to unpaid Dividend Account of the company is credited to the Investor Education and Protection Fund (the IEPF)

Following Table gives information relating to outstanding dividend accounts and due dates for claiming.

Financial Year	Date of Declaration	Last date of claiming dividend	Amount outstanding as on March 31, 2012
2004-05	28.09.2005	27.09.2012	14,568.00
2005-06	10.11.2006	09.11.2013	2,842.91
2006-07	28.09.2007	27.09.2014	7,085.01
2007-08	26.09.2008	25.09.2015	4,763.50
2008-09	30.09.2009	29.09.2016	1,995.00
2009-10	24.09.2010	23.09.2017	101,607.20
2010-11	26.09.2011	25.09.2018	1,03,176.80

On behalf of the Board of Directors

Place: Mumbai

Date: 30th August, 2012

**R.L. Gupta**

Chairman

# Directors' Report

## *Dear Shareholders*

Your Directors present the 23rd Annual Report along with Audited Statement of Accounts for the year ended March 31, 2012.

### Financial results at a glance:

Rs. in lacs

	31st March, 2012	31st March, 2011
Sales & Other Income	14295.22	11818.31
Profit Before Tax	269.94	568.98
Profit After Tax	222.96	401.76
Balance Brought Forward	871.16	559.87
	<b>15659.28</b>	<b>13348.92</b>
Appropriations:		
Dividend.	26.97	64.73
Dividend Tax	4.37	10.75
General Reserve	15.00	15.00
Balance Carried Forward	1047.77	871.16
	<b>1094.11</b>	<b>961.64</b>
Earning Per Share	4.13	7.45

### Operations

The financial year under review began a positive note. However, the economy started witnessing a rise in inflationary trend during the second half of the year which together with tightening of the monetary policy resulted in slowdown in the overall scenario.

The Company achieved total turnover of Rs. 14295.22 lacs against Rs. 11818.31 lacs in the previous year registering a growth of 20.95 %. The net profit after tax was Rs.222.96 lacs against Rs. 401.76 lacs in the previous year registering a decline of 44.51 %. The tightening of monetary policy rise in finance cost and increase in the input cost had affected the performance of the company.

### Dividend

Your Directors recommended a dividend of 5 % (i.e. Re. 0.50 per share) on 53,94,005 equity shares of Rs.10 each for 2011-12. The previous year dividend paid was 12 % ( i.e. Re. 1.20 per share).

### Management discussion and analysis

As required under Clause 49 of the Listing Agreement with stock exchange, a management discussion and analysis report, inter-alia, deals adequately with operations and the current and future outlook of the Company is annexed and forms a part of the Directors' Report.

## Auditors

The Auditor of the company M/s A.K.Bagadia & Co., Chartered Accountants, retire at this Annual General Meeting and are eligible for reappointment. The Audit Committee and your Board recommend their reappointment.

## Directors

Shri P. M. Nijampurkar and Shri Atul Desai retire by rotation and offer themselves for re- appointment, which your Directors consider to be in the best interests of the Company and recommend their appointment.

### Directors' responsibility statement

Pursuant to the requirements of Section 217(2AA) of the Companies Act, 1956 it is hereby confirmed

- 1 That in the preparation of annual accounts, the applicable accounting standard were followed along with proper explanation relating to material departures;
- 2 That we selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
- 3 That we took proper and sufficient care to maintain adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and preventing and detecting fraud and other irregularities;
- 4 That we prepared the annual accounts on a 'going concern' basis.

## Corporate Governance

Your Company reaffirms and remains committed to high standards of Corporate Governance. The Company believes that appropriate disclosures procedures, transparent accounting policies, strong and independent Board practices and highest

levels of ethical standards are critical to enhance and retain investor trust and generate sustainable corporate growth. Your Company established systems and procedures to comply with the amended provisions of the Code of Corporate Governance and complied with all the requirements of the Code of Corporate Governance as per Clause 49 of the Listing Agreement with the stock exchange. A Report separately titled "Corporate Governance" along with Auditors' Certificate, regarding compliance of the same are annexed as a part of this Annual Report.

## Particulars of Employees

The Particular of Employees as required under Section 217(2A) of the Companies Act, 1956 is not given, since no employee of the Company draws remuneration in excess of the limit as prescribed in the above section.

## Energy conservation, technology absorption, and foreign exchange earnings and outgo

The information relating to energy conservation, technology absorption and foreign exchange earnings and outgo as required to be disclosed under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is given in Annexure forming part of this Report.

## Acknowledgements

Your Directors wish to place on record the appreciation of the assistance and cooperation received from bankers, customers (domestic as well as overseas), suppliers, shareholders, staff from each level and other business associates for their valuable contribution in the growth of the organization whose continuous support and cooperation has been a source of strength to the company enabling it to achieve its goals.

On behalf of the Board of Directors

Place: Mumbai

Date: 30th August, 2012

**R.L. Gupta**  
Chairman

## Annexure to the Directors' Report

### TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS & OUTGO:

#### A. POWER AND FUEL CONSUMPTION :

	2011-12	2010-11
1. ELECTRICITY		
(a) Purchased		
Units (KWH)	9315124	8981254
Total Amount (Rs.in Lacs)	563.05	492.21
Rate/Unit Rs.	6.04	5.48
(b) Own Generation		
i) Through diesel generator Unit (Unit per Ltr. Of Diesel oil cost/unit)	NA	NA
ii) Through steam turbine/generator Units (Units per Ltr. Of fuel oil/gas cost/unit)	NA	NA
2. COAL (specify quality and where used)	NA	NA
Quantity (tonnes)		
Total Cost Rs.		
Average Rate Per MT		
3. FURNACE OIL & LPG		
Quantity (Kg) / MT	2444.760	2051.990
Total Amount (Rs.in Lacs)	974.45	512.40
Average Rate Per MT	39858	24971
4. Other/ Internal Generation	NA	NA
Quantity		
Total cost		
Rent/unit		

#### B. CONSUMPTION PER UNIT OF PRODUCTION:

	2011-12	2010-11
1 Drop Forged Hand Tools (MT)	5916.35	6090.63
Electricity Consumption (KW)	1334.82	1222.48
Fuel	168.61	160.19
2 Leaf Spring (MT)	7475.07	8395.514
Electricity Consumption (KW)	189.68	182.900
Fuel	193.61	128.204

**C. FOREIGN EXCHANGE EARNING & OUTGO:**

	2011-12	2010-11
(i) Earning		
FOB Value of Exports	6199.37	4108.53
(ii) Expenditures		
CIF Value of Imports		
Raw materials	34.49	32.65
Spares & Consumables	0.86	3.90
Capital Goods	21.52	24.02
Expenses in Foreign Currency:		
Travelling / Fare abroad	7.12	8.51
Commission & Discount	1.92	6.29
	<b>65.91</b>	<b>75.37</b>

**Technology absorption, research and development**

Research and developments and technology absorption

Research and developments of new products, processes and methodologies continue to be important to us. In today's dynamic business environment, innovation through a sustained process of research and development (R & D) is a critical growth driver. R & D will need to focus in the developments and speedy commercialization of globally competitive products, processes and technologies. Your Company pursues R & D strategy premised on best-in-class benchmark research processes to

secure sustainable and long term competitiveness for all its business. Its priorities are focused on projects with high research content and high impact. Over the last several years, your Company has assembled a pool of qualified professionals and experts in the manufacturing and R & D Department.

On behalf of the Board of Directors

Place: Mumbai  
Date: 30th August, 2012

**R.L. Gupta**  
Chairman

# Management discussion and analysis

## 1. Industry Scenario

Financial year 2011-12 was a challenging year. The developments over the last year in major economic of the world have not been encouraging. The Global economy barely a year after recession witnessed lower economic growth. International Monetary Fund (IMF) estimated the global output to have grown at a modest 3.9 % much lower than 5.3 % growth achieved in the previous year. IMF anticipates the global economy to face another testing year in 2012 and projects global down to marginally slip to 3.5 %. It projects the growth rate of emerging economic to shift to 5.7 % in absence of any positive outlook from advanced economics. India which has notified domestic demand driven growth are also struggling to strike a balance between high inflation and steady GDP growth. Indian economy witnessed high inflationary presence and rising interest rate regime tested growth to some extent. The resultant increased cost of funding and tightened liquidity did stop the GDP growth. The automobile sector posted poor volumes, largely an expected line amid slowdown in economic activity and negative consumer sentiments fuelled by high inflation and increasing cost of ownership. The slowdown in demand is now clearly evident across most product segments, which continues to impact overall growth.

Akar has been though able to increase its turnover by 21 % during the financial year but failed to maintain its profitability mainly due to increase in the input cost and cost of finance.

## 2. Opportunities and threats

Akar see better opportunities in the previous year to come due to continuous development of new products and entry in

various market segments like OEMs and dealer market. This has proved beneficial during the recession period which is very good sign for the company.

International business faces a risk of intensified competition for low cost players which can limit its pricing power.

Political changes in the regimes of operations may result in demand slow down.

Increase in input prices and/ or volatility in the value of India may have adverse impact on profit margins.

## 3. Outlook

With the on-going re-structure which looks more positive, the Company plans to shift its focus on standard products besides improving its strong presence in the nonstandard products. To augment and complement its vast manufacturing facility, the company plans for acquiring/developing new technology which will give the company a competitive edge in the automobile industry. With the above measures the Company hopes a brighter future in the coming years.

## 4. Risk and concerns

The Company has rebuilt systems for risk assessment and mitigation and has a risk policy in place with well-established internal controls and risk management process. Reviews are conducted on ongoing basis as per risk based plan.

With rising inflationary pressures, weak global recovery, higher fiscal policies and possibility of slow growth rate of Indian Economy are the key concerns on the macroeconomic fronts which may have an impact on the company operations.

# Corporate Governance

## 1. Company's philosophy on code of governance

The Company is committed to achieve high standard of Corporate Governance. The Company philosophy on Corporate Governance envisages the attainment of high levels of transparency accountability and equity in all facts of its operations and in all the interaction with its stakeholders, including shareholders, employees, lenders and the Government. The Company firmly believes that good corporate governance is the foundation of corporate excellence. The Board of Directors of Company continues to lay great emphasis on the broad principles of Corporate Governance.

## 2. Board of Directors

As required by the Clause 49 of the Listing Agreement regarding Corporate Governance, The Board of Directors consisted of optimum combination of promoter and Independent Directors. The Board has a mix of Executive and Non-Executive Directors. The Board comprises total seven Directors out of which four are Executive Directors and three Non Executive Directors. All the three Non-Executive Directors are Independent Directors.

Details of director seeking appointment/re-appointment

pursuant to clause 49 of the Listing Agreement are as under:

- I Name of Director: Shri Pradeep M. Nijampurkar, Age:54 years, Date of Birth: July 13, 1958 , Qualification: M.B.A (HR), Date of Appointment: July 31,2007 , Expertise: 19 years of wide experience in the field of administration and public relations. Directorship in other company- NIL
- II Name of Director: Shri Atul M Desai, Age: 62 years, Date of Birth: January 27, 1950, Qualification: Science Graduate, LLB, Attorney- at- Law., Date of Appointment: March 31, 2006, Expertise:33 years wide experience in the field of Law, Specialisation in Mergers & Acquisition and commercial Arbitratorship. Directorship held as on March 31, 2012: Jindal Southwest Holdings Ltd, TCFC Finance Ltd, Welspun Syntex Ltd, Remi Metals Gujarat Ltd, Branee Trading Company Pvt Ltd., Welspun Global Brands Limited, Blend Financial Services Limited

## 3. Board meeting and AGM attendance

The Board met 5 times during 2011-12 at the Company's factories/ office at E-5, MIDC Area, Waluj Aurangabad on April 11, 2011, May 14, 2011, August 12, 2011, November 14, 2011, February 14, 2012

Details of attendance of each Director of the Board Meetings and at last Annual General Meeting held on September 26, 2011 are given below

Name of the Director	Number of Board meetings attended	Last AGM attended yes/no	Number of Directorship held in other Companies	
			Public	Private
Shri R. L.Gupta	04	No	3	6
Shri N. K. Gupta	05	Yes	2	0
Shri Sunil Todi	04	Yes	1	0
Shri R. Machhar	03	No	1	7
Shri Atul M. Desai	03	Yes	6	1
Shri C. K. R. Murugan	03	No	0	1
Shri P. M. Nijampurkar	03	No	0	0

#### 4. Audit Committee

The Audit Committee comprises one Executive Director and two Independent Non-Executive Directors. The Audit Committee comprises

1. Shri Sunil Todi
2. Shri C.K.R. Murugan
- 3 Shri Atul M. Desai

Shri C. K. R. Murugan is the Chairman of the Audit Committee.

##### The terms of reference includes

The terms of reference to the Audit Committee are wide enough to cover all matters specified under the Listing Agreement and the Companies Act, 1956. Some of the lists are as under

- a) Review financial reporting process and to ensure that the financial statement is correct and sufficient
- b) Review, with the management, the quarterly and annual financial statement before submission to the Board
- c) Review, with the management, external and internal auditors the adequacy of internal control system
- d) Review the Company's financial and risk management policies

Name of the member	Number of meetings held	Number of meetings attended
Shri C. K. R. Murugan	04	02
Shri Atul M. Desai	04	02
Shri Sunil Todi	04	04

##### Code of Conduct

In pursuance of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 as amended, the Board approved the 'Akar Code of Conduct' for preventing Insider Trading and authorised the Audit Committee to implement and monitor various requirements as set out in the Code. The Code is based on the principle that Directors, officers and employees of Akar Tools Limited owe a fiduciary duty to, among others, the Company's shareholders Company to place the interest of the shareholders above their own and conduct their personal securities transactions in a manner that does not create any conflict of interest situation.

Pursuant to Clause 49 of the Listing Agreement, it is hereby confirmed that the 'Code of Conduct' as approved by the Board

was complied with during 2011-12 by all Board members and the designated members of the Company's senior management.

'Designated members of senior management' mean personnel of the Company who are members of its core management team excluding the Board of Directors. Normally, this would comprise all members of management one level below the Executive Directors, including all functional heads.

#### 5. Remuneration Committee

The Remuneration Committee comprises Two Independent and Executive Director, Three Independent Non-Executive Directors. One Executive Director is on the Committee. The committee comprises

1. Shri N. K. Gupta
2. Shri Sunil Todi
3. Shri C.K.R. Murugan
4. Shri P.M. Nijampurkar
5. Shri Atul M. Desai
6. Shri Ravi Machhar

Shri N. K. Gupta is the Chairman of the Remuneration Committee. The terms of reference specified by Board of Directors to the Remuneration Committee are as under

- a) Recommending remuneration payable to Managing Director, other Directors as and when necessity arises
- b) Reviewing sitting fee payable to Directors for attending Board meetings and Committee meetings.

Details of remuneration paid to Shri Sunil Todi was Rs. 27.83 lacs and to Shri P.M. Nijampurkar was Rs.13.18 lacs.

#### 6. Shareholders / Investors Grievance Committee

The Shareholder Committee set up to specifically look into shareholders/investors complaints, if any, or transfer of shares, non-receipt of Annual Report and non-receipt of declared dividend, among others, and also the action taken by the Company on all those related matters. The Committee comprises

1. Shr R. L. Gupta
2. Shri N. K. Gupta
3. Shri Sunil Todi
4. Ms Reshma Talbani



Ms Reshma Talbani Company Secretary is the Compliance Officer of the Committee. The Company received one complaint from the shareholder during 2011-12. All complaints were resolved to

the satisfaction of shareholders. No share transfer was pending as on March 31, 2012.

## 7. General body meeting

Detail of Annual General Meetings, location and time, where last three Annual General Meetings were held:

AGM	Date	Time	Venue	Special resolutions passed (if any)
22nd	September 26, 2011	10.30. am	Y.B. Chavan Centre, General Jagannath Bhosle Marg, Opp. Mantralaya, Nariman Point, Mumbai - 400021	Nil
21st	September 24, 2010	10.30. am	Y.B. Chavan Centre, General Jagannath Bhosle Marg, Opp. Mantralaya, Nariman Point, Mumbai - 400021	Nil
20th	September 30, 2009	10.30 am	Y.B. Chavan Centre, General Jagannath Bhosle Marg, Opp. Mantralaya, Nariman Point, Mumbai - 400021	Nil

## 8. Disclosures

### Related party transactions

There were no material transactions with related parties during the year 2011-12 which is pre-judicial to the interest of the Company.

Details of related party transactions are given in schedule 18 as required by the Accounting Standard on related party disclosures (AS-18) prescribed by the ICAI.

### Statutory compliance, penalties and strictures

There is full compliance of the all the statutory provisions with the concerned authorities e.g. Bombay Stock Exchange and Registrar of Companies, among others. There were no penalties and strictures at all.

## 9. Means of communication

The quarterly/half-yearly/annual financial results and material events of the Company are announced within the stipulated period and are published in English and Hindi newspapers.

### Shareholders' information

#### Shareholders/Investors services

The Company's Shares & Secretarial department is situated at

its Corporate & Administrative Office E- 5, MIDC Area, Waluj, Aurangabad and provides assistance and guidance to shareholders under overall supervision and control of Shri Sunil Todi, Managing Director and Ms Reshma Talbani, Company Secretary.

### Registrar & Share Transfer Agents

Shareholders are advised to send all the queries regarding change of their mailing address, share transfer status etc. to the Registrar & Share Transfer Agents appointed by the Company at the following address:

BIG SHARE SERVICES PVT. LTD.

E-2, Ansa Indl. Estate, Sakivihar Road, Saki Naka, Andheri (E), Mumbai - 400072

Ph. No. 022-28473474/28473747/ 28470652

Email Id: corporate@akartoolsltd.com

### 23rd Annual General Meeting

Date : 29th September, 2012

Time : 10.00 Am

Venue : Y.B. Chavan Centre, General Jagannath Bhosle Marg, Opp. Mantralaya, Nariman Point, Mumbai - 400021

**Date of book closure**

September 25, 2012 to September 29, 2012 (both days inclusive)

**Proposed dividend**

5% i.e. @ Rs. 0.5 PER EQUITY SHARES

**Listing of securities**

Bombay Stock Exchange, Mumbai

**Stock code**

BSE code: 530621, Symbol: AKARTOOL EQ

**Dematerialisation**

Shares of the Company are dematerialised for trading. The physical shares of the Company can be dematerialised and held in electronic mode with any of the depositories participant of the depositories as listed below:

1 National Securities Depositories Ltd

2 Central Depositories Services (India) Ltd

The ISIN number of the Share is IN E864E01013

**Stock market data**

Akar Tools Limited's Share at Bombay Stock Exchange Ltd

Month	Share price with BS		BSE SENSEX	
	High	Low	High	Low
April 2011	92.00	71.80	19811.14	18976.19
May 2011	82.00	67.00	19253.87	17786.13
June 2011	77.15	66.30	18873.39	17314.38
July 2011	70.20	56.60	19131.70	18131.86
August 2011	59.55	40.65	18440.07	15765.53
September 2011	56.90	38.90	17211.80	15801.01
October 2011	51.00	34.65	17908.13	15745.43
November 2011	47.70	26.15	17702.26	15478.69
December 2011	38.95	26.25	17003.71	15135.86
January 2012	41.00	28.45	17258.97	15358.02
February 2012	43.70	36.50	18523.78	17061.55
March 2012	43.65	27.25	18040.69	16920.61